

SUMMARY ANALYSIS OF AMENDED BILL

Author: Migden Analyst: Colin Stevens Bill Number: AB 511

Related Bills: AB 3212 (1995/96) Telephone: 845-3036 Amended Date: 1/28/98

Attorney: Doug Bramhall

Sponsor:

SUBJECT: Bank Tax Rate Excess Over General Tax/Local Agency Financial Aid Fund/In-Lieu Provision

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

☒ DEPARTMENT POSITION CHANGED TO PENDING.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED March 31, 1998, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

Under Bank and Corporation Tax Law (B&CTL), this bill would make the following changes to the in-lieu tax for banks and financial corporations:

- require that a percentage of the revenues from the in-lieu tax be deposited into the Financial Aid to Local Agencies Fund (the Fund), which would be created by the bill, for disbursement to all cities and counties based on a formula to be determined by the Legislature;
- require that banks and financial corporations in each city semiannually report to the Franchise Tax Board (FTB) any information necessary to determine the distribution of funds to cities;
- require the FTB to notify the Controller of the amount of collected taxes attributable to the bank tax; and
- specify that the tax would not be in-lieu of nondiscriminatory parcel taxes.

SUMMARY OF AMENDMENT

The January 28, 1998, amendments:

- reduce to 50% the amount of in-lieu revenues that would be transferred to the Fund to be distributed to cities; and

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Department Director Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
___ X ___ PENDING

Agency Secretary Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved ___
Position Disapproved ___
Position Noted ___

Department/Legislative Director Date
Johnnie Lou Rosas 2/20/98

Agency Secretary Date

By: Date:

- require banks and financial corporations to provide any information necessary to determine the distribution of funds to cities.

The January 22, 1998, amendments:

- specify that the funds sub tend to cities, cities and counties, and counties will be distributed based on a formula to be determined by the Legislature, rather than on the proportion the payroll in each municipality bears to the total payroll of all banks and financial corporations in each municipality;
- delay from the 1997-98 fiscal year to the 1998-99 fiscal year the requirement that the Franchise Tax Board determine semiannually the amount of taxes available for transfer to the Fund; and
- update the in-lieu tax rate section to reflect newly-enacted legislation.

EFFECTIVE DATE

The bill would be effective for periods as follows:

- The provisions requiring banks and financial corporations to report information to the department and the department's notification to the Controller of the amount of bank taxes collected would apply January 1, 1999, to the 1998/1999 fiscal year and each fiscal year thereafter.
- The requirements for the deposits into the Fund and the disbursements to the cities would apply beginning January 1, 1999.
- The nondiscriminatory parcel tax provision would apply to income years beginning on or after January 1, 1998.

SPECIFIC FINDINGS

With the exception of the change in the formula for determining the distribution of funds to cities and counties, the specific findings of the department's prior analyses of this bill still apply.

Technical Considerations

Section 19604 provides that amounts determined according to Section 19606 would not be deposited in the Bank and Corporation Tax Fund (B&C Fund). However, Section 19606, which provides that the Controller would transfer 50% of the money identified by the FTB from the B&C Fund to the Fund, implies that the in-lieu tax would be placed in the B&C Fund prior to transfer to the Fund. Amendments 1 and 2 would make consistent that the amounts determined under Section 19606 would be deposited in the B&C Fund and transferred to the Fund for distribution to cities.

FISCAL IMPACT

Tax Revenue Estimate

Revenue losses to the General Fund under the B&CTL are estimated to be:

| Effective With Fiscal Years Beginning 1998-9 (In Millions) | | |
|--|--------|--------|
| 1998-9 | 1999-0 | 2000-1 |
| (\$80) | (\$86) | (\$89) |

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Tax Revenue Discussion

Revenue losses to the General Fund under the B&CTL would depend on the amount of profits reported by banks and other corporations subject to the in-lieu tax rate.

The above estimate was based on the actual revenue collected from the in-lieu rate for the 1995 tax year (\$160 million) and projected to 1998-9 using the Department of Finance (December 1997) projected growth in corporate revenues.

BOARD POSITION

Pending.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 511
As Amended January 28, 1998

AMENDMENT 1

On page 2, line 4-5, strike "and amounts determined pursuant to
Section 19606,"

AMENDMENT 2

On page 3, line 1, after "part" insert:

, be transferred into the Financial Aid to Local Agencies Fund Pursuant to
Section 19606,